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SUBJECT: NIC CHAIRMAN OPTIMISTIC DESPITE CHALLENGES

Classified By: EMIN Marc M. Wall for reasons 1.4 (b,d).

¶1. (C) SUMMARY: National Investment Commission (NIC) Chairman-Designate Ridha continues to aggressively court foreign investors, even though the GOI has not promulgated implementing regulations for the 2006 Investment Law to support his mission. Ridha is creative and well-intentioned, but he is also so eager to bring investors to Iraq that he may be seeking work-arounds (in the absense of a true investment regime) and may be promising investors protections that he cannot necessarily guarantee. END SUMMARY.

¶2. (SBU) Economic Minister-Counselor (EMIN) made his initial call on NIC Chaiman-Designate Ahmed Ridha September 1. Ridha described his mission to encourage foreign and domestic investment in expansive terms, saying that what he is really trying to do is create an entirely new "economic philosophy" in Iraq. After 40 years under the yoke of a command economy, the task is not easy, he said. During the Saddam era, "the private sector was the enemy, but now we are asking it to lead" Iraq's reconstruction and development. Ridha described with some frustration ministers of government who still view "investment" as a series of projects that their ministries plan, fund and fully control. The free market will take hold here, he concluded, but it will take time and a lot of re-education.

¶3. (U) Turning from philosophy to concrete successes, Ridha brightened. He stated that the NIC has facilitated USD 74 billion in FDI over the past five months. This includes an Iraqi-led international consortium's USD 13 billion investment in the Grand Basra port, and a potential USD 17 billion airport construction investment from a Saudi-led consortium. (The latter is temporarily on hold because of security-related allegations surrounding one of the Saudi investors.) Looking forward, Ridha said he has been negotiating a potential USD 38 billion investment in housing and university buildings in Najaf with an international consortium that includes US investors; a USD 5 billion medical center and pharmaceutical plant with an Iraqi-Saudi joint venture; a possible USD 30 billion Kuwaiti-Emirati-Iraqi nationwide housing investment; and what he called a Chinese-funded "Disneyland" in Baghdad (pricetag unspecified).

¶4. (SBU) While all of this is good -- or potentially good -- news, Ridha did suggest that there is growing frustration within the NIC over the lack of implementing regulations to support the 2006 national investment law and over the Council of Representative's failure to confirm him officially as NIC chairman. A full set of implementing regulations was drafted four months ago and delivered to the Shura Council. The Shura took six weeks to approve and to refer the regulations to the Council of Ministers (COM) for promulgation, but when it finally acted it did so with enthusiasm, Ridha reported. Now, however, the COM still has failed to move the texts forward. EMIN noted that this lack of a clear regulatory framework -- as well as current delays in passing legislation that permits foreign firms to register and operate legally in Iraq -- are a clear disincentive to American firms. Ridha did not dispute this, but encouraged US firms to come to Iraq

anyway. Tell US investors to come -- the NIC will ensure that they are treated fairly and their investments protected, he urged. "If American investors want to wait for all the regulations to be in place, they will wait ten years." Ridha also noted that Asian, Middle Eastern and a slowly increasing number of European firms are moving investments forward.

15. (C) COMMENT: The legislative and "philosophical" disincentives to investment in Iraq -- as well as the security concerns -- remain very real, and no one knows that better than the still-unofficial NIC chairman. For these reasons, we truly admire the optimism, enthusiasm and creativity Ridha has brought to his task. However, in this meeting we sensed that frustration may be prompting Ridha to try to work around the fact that his government thus far proven unable to produce a valid legal investment framework for him to publicize. We also sensed that he may be asking investors to come to Iraq under conditions that are not ideal and perhaps offering them promises of protection that he may -- or may not -- be able to guarantee. END COMMENT.  
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